



Have you purchased a Commercial Property and inherited a tenant who occupies the property under a Commercial lease? Are you a tenant occupying a property under a Commercial lease?

Here's a brief run down on some of the key components to a Commercial lease.

Rent

The tenant is required to pay rental in advance on the first day of the month. The lease does not require a request for payment however as a managing agent we invoice the tenant on a monthly basis.

Outgoings

Under a net lease a tenant is responsible for outgoings payable with respect to the premises including consumable expenses. These should be paid on or before the due date or within 14 days of demand. Again, as part of our services we issue the tenant with an invoice outlining the charge and providing a copy of the relevant account.

If the tenant is a retail tenant, you cannot recover land tax. However most other costs can be recovered, and these include expenses incurred with maintaining the landlord's fixtures and fittings providing these costs are not capital expenses. It's also worthwhile becoming familiar with the Retail Leases Act 2003, version 1 July 2017.

In addition to paying the insurance on the building the tenant is required to have their own insurance to run their business within the premises and are required to have public liability insurance to the value of \$20 million dollars.

Tenant obligations

The repair and maintenance obligations are further described in the lease and include cleaning the windows, ensuring plumbing fixtures including gutters and drains are cleared. General repairs such as replacing lights, locks, attending to pest control and removing graffiti are all part of the tenant's obligations.

A tenant is required to seek approval before making any alterations or additions to the building including installation of signage. A tenant should also immediately notify the landlord if there is an incident at the premises.

Make good

At the end of a lease the landlord can require the tenant to return the property to the original condition at the commencement of the lease, however the landlord can also accept to retain tenant's alterations to the premises.

Security deposit

Under a Commercial Lease the tenant generally pays a security deposit between 3-6 months rental. This can be paid by cash and is required to be held in an interest earning bank account or can be paid by way of a bank guarantee.

It is extremely important a bank guarantee is made out to the correct entity and it is recommended it does not have an expiry date.

The security deposit can be increased during the lease term in line with the rental increases.

If the security deposit is paid by cash it is recommended the landlord register the lease and interest on the PPSA.

Lease Options

A commercial lease generally contains an option term. This option is at the tenant's right, they may or may not take up the option, however they are guaranteed the opportunity to exercise the option term, if they have not breached the lease successively during the period.

If the Retail Leases Act applies appropriate notice of the option must be issued to the tenant.

Rent Reviews

The lease provides for several different methods of reviewing the rental including accordingly to the change in the Consumer Price Index, fixed or by way of a market review.

The lease will specify how each type of review should be applied.

